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REPORT OF THE COMMISSION ON ITS TWENTY-SEVENTH SESSION

Draft report

Addendum

Rapporteur: J. A. MWANIKI (Kenya)

Chapter _. NATIONAL ACCOUNTS AND BALANCES

System of National Accounts (SNA)

1. The Commission considered item 4 (a) of its agenda at its 453rd and 454th meetings, on 23 February 1993. It had before it the following documents:

(a) Report of the Intersecretariat Working Group on National Accounts on the revision of the System of National Accounts (E/CN.3/1993/4 and Add.1 and 2);

(b) Note by the International Labour Office concerning statistics of employment in the informal sector (E/CN.3/1993/5);

(c) Report of the Intersecretariat Working Group on National Accounts on implementation of the revised System of National Accounts (E/CN.3/1993/6);

(d) Draft of the revised System of National Accounts (PROVISIONAL ST/ESA/SER.F/2/Rev.4).

The report of the Interregional Seminar on the Revision of the System of National Accounts, held in Aguascalientes, Mexico, in October 1992 (ESA/STAT/AC.43/8) was made available to the Commission as a background document.

2. Ms. Carol Carson, on behalf of the member organizations of the Intersecretariat Working Group on National Accounts (ISWGNA) (the Statistical Division of the United Nations Secretariat, the United Nations regional commissions, the International Monetary Fund, the Organisation for Economic Cooperation and Development, the Statistical Office of the European Communities, and the World Bank), made an oral presentation to introduce the SNA documents for discussion.

3. The following eight major substantive issues addressed by ISWGNA in its report (E/CN.3/1993/4/Add.1) were brought to the attention of the Commission: financial intermediation service charges indirectly measured; imputed rent on government buildings; monetary gold; market/non-market output; mineral exploration; consumer subsidies; formal/informal; and environmental accounting.

4. The Commission noted the substantial effort made to have the final draft of the SNA before it, as it had requested at its twenty-sixth session. It also noted that ISWGNA had continued the broad consultative process in all regions of the world. That process was the hallmark of the revision procedure and had resulted in a revised SNA that was considered to be a vast improvement over its predecessor, the 1968 SNA. The Commission also noted that, at the outset of the revision, the goals had been to clarify and simplify the 1968 SNA, update it and harmonize it more closely with other sets of statistical standards. The revised SNA represented a considerable achievement in meeting each of those goals.

5. The Commission expressed its deep appreciation to ISWGNA for its coordinating efforts and for the substantial resources provided by its participating organizations in carrying out the technical aspects of the work. It expressed its thanks to Mr. Peter Hill and Mr. André Vanoli, who were the primary consultants, and to Ms. Carol Carson, who provided management support to ISWGNA. It recognized that national statistical offices had made substantial contributions to the revision process both in cash and in kind (e.g., in preparing drafts and translations), by hosting meetings (since the twenty-sixth session of the Commission, meetings had been held in Zimbabwe and Mexico) and by making their experts available for participation in the revision process, and expressed its thanks to them for those contributions. In all, about 50 experts in national accounting and other fields, from about 40 countries, had participated in the revision process, and the Commission recognized the contributions they had made. It also expressed its thanks to the International Association for Research in Income and Wealth for its assistance with administrative matters, and to several international organizations that maintained statistical systems for their collaborative efforts.

6. The draft of the revised System of National Accounts (PROVISIONAL ST/ESA/STAT/SER.F/2/Rev.4) was welcomed unanimously as a major achievement and the culmination of 10 years of effort to improve the basis of national accounts, to extend the scope of the national accounting framework, and to harmonize different statistical systems. The System being presented was flexible enough to be applied in different circumstances and to be extended to alternative analyses such as social accounting matrices and environmental accounting. The readability of the draft was praised.

7. It was also noted that, in such a vast undertaking, it was impossible to satisfy the preferred positions of all countries on all subjects. Nevertheless, it was felt that a satisfactory balance had emerged and that the draft adequately represented a general consensus on most issues. In that context, the high degree of harmonization with the fifth edition of the Balance of Payments Manual of the International Monetary Fund was welcomed. There were a number of areas in which some reservations were expressed, but not insisted upon:

(a) Several representatives expressed regret that all research and development expenditure continued to be treated as current expenditure. It was noted that, in contrast, all mineral exploration expenditure was treated as capital expenditure;

(b) Two representatives expressed regret that the concept of financial gold had been dropped from the System;

(c) Several representatives expressed regret that the earlier decision to include imputed rent for buildings owned and occupied by Governments and non-profit institutions serving households had been reversed;

(d) One representative suggested that the proposal to treat military durables other than offensive weapons as fixed capital should be accompanied by treatment of armaments as inventories, rather than current expenditure;

(e) Several representatives felt that more precision was needed concerning the construction of production accounts for households;

(f) Another representative felt that the distinction between actual final consumption and final consumption expenditure unnecessarily complicated the sequence of accounts;

(g) Certain representatives expressed regret that no final solution had been found for the identification and treatment of consumer subsidies.

8. Several representatives mentioned the importance and difficulty of measuring the informal sector. The representative of ILO reported orally on the results of the discussion at the Fifteenth International Conference of Labour Statisticians (ICLS). Reference should be made in the chapter on institutional units and sectors to the work being done by ICLS on developing standards for the informal sector.

9. The Commission addressed in detail the problem of financial intermediation service charges indirectly measured. While most representatives recognized that it was desirable in principle to allocate those charges fully, several expressed the view that there were many practical difficulties that had not yet been resolved. They also regretted that the treatment of those charges in the SNA gave rise to an inconsistency with the Balance of Payments Manual of the International Monetary Fund and could likewise be inconsistent with the European System of Integrated Economic Accounts (ESA) being developed by EUROSTAT. Other representatives agreed with the treatment in the existing text, citing their own experience in allocating financial intermediation charges and new approaches that they were considering.

10. In order to address the views of those who had expressed difficulties in implementing the proposed treatment, ISWGNA proposed a flexible treatment that recognized the desirability of allocating the charges fully while allowing sufficient flexibility in implementation to reflect the current circumstances in particular countries or groups of countries. The ISWGNA proposal was accepted unanimously by the Commission. The proposal consisted of five elements:

(1) Accept the present statement in the text that "In principle, the total output should be allocated among users for which no explicit charge is made";

(2) Permit those countries or groups of countries that cannot at present allocate these charges explicitly to specific users to allocate them all to intermediate use (the 1968 SNA de facto solution);

(3) Permit those countries or groups of countries that can allocate charges to both intermediate and final use to do so;

(4) Request those countries that allocate charges entirely to intermediate consumption to prepare, as soon as they can, supplementary estimates showing an explicit allocation to specific users and the effect this has on gross domestic product (GDP), gross national income (GNI), and other relevant aggregates;

(5) Request those countries that allocate charges to both intermediate and final use to identify those allocations separately.

11. The information provided in the last two elements of the proposal would facilitate international comparisons on either basis.

12. In addition, it was suggested that the Statistical Commission should request ISWGNA to place the highest priority on developing in the near future practical guidelines for explicit allocation of financial intermediation service charges to specific users. The work should draw on the experiences of those countries currently implementing, or about to implement, a system of full allocation in order to review their procedures; it should also draw on the work being carried out in those countries that had indicated major impediments to full allocation.

Action taken by the Commission

13. The Commission:

(a) Unanimously recommended the adoption of the draft of the revised System of National Accounts, 1993, subject to the amendments recommended by ISWGNA in E/CN.3/1993/4/Add.1 and . ISWGNA was urged:

(i) To ensure publication of the 1993 SNA in English before the end of 1993;

(ii) To expedite the publication of other language versions as soon as possible thereafter, noting that considerable revision to the current drafts was necessary to ensure the use of idiomatic language and correct technical terms;

(b) Agreed, in line with common practice in the adoption of other international recommendations by the Commission, that the decisions of the Commission and the substance of its report would also be reflected in the front matter of the 1993 SNA when it was published.